

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 5893

INFO AMEMBASSY BUENOS AIRES

USCINCSO

C O N F I D E N T I A L MONTEVIDEO 0195

E.O. 11652: GDS

TAGS: PINS, PINT, UY

SUBJ: POLITICS OF EARLY 1974

CINCSO FOR POLAD

1. SUMMARY. AS 1974 BEGINS THERE PREVAILS IN URUGUAY A STRANGE MIX OF PESSIMISM WITH RESPECT TO THE PRESENT, LARGELY OWEING TO INFLATION, AND OPTIMISM THAT THE COMING YEAR WILL BE BETTER. HARD-LINERS IN THE MILITARY, WELL AWARE OF PUBLIC COMPLAINTS AND OF THE FACT THAT THE ARMED FORCES HELPED CREATE CURRENT EXPECTATIONS, ARE ADVOCATING A STRONGER MILITARY VOICE IN GOVERNMENT. SENIOR MILITARY PROMOTIONS AND ASSIGNMENTS NOW IN PROCESS WILL DETERMINE TO LARGE EXTENT THE DEGREE OF PRESSURE THE MILITARY WILL PUT ON THE PRESIDENT. HIS POSITION LATER IN THE YEAR WILL DEPEND LARGELY ON THE PROGRESS OF THE ECONOMY. END SUMMARY

2. NORMAL POLITICAL ACTIVITY HAS BEEN AT A MINIMUM THUS FAR IN 1974. THE COUNCIL OF STATE, MEETING BEHIND CLOSED DOORS, HAS ESTABLISHED COMMITTEES AND BEGUN EXECUTIVE SESSION HEARINGS ON  
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PRIORITY MATTERS SUCH AS PENDING AMBASSADORIAL APPOINTMENTS

AND THE TREATY WITH ARGENTINA ESTABLISHING WATER BOUNDARIES BETWEEN THE TWO COUNTRIES.

3. THE PRESIDENCY HELD THE LIMELIGHT LAST WEEK WITH BOTH PRESIDENT BORDABERRY AND ALVARO PACHECO SERE, SECRETARY OF THE PRESIDENCY, GRANTING LENGTHY PRESS INTERVIEWS (BEING POUCHED). IN PRIVATE AND PUBLIC THE PRESIDENT SEEMED TO BE RELAXED AND CONFIDENT. DURING THEIR INTERVIEWS, BORDABERRY AND PACHECO DESCRIBED 1973 AS A TIME OF MOVEMENT TOWARDS INSTITUTIONAL STABILITY WITHOUT WHICH ECONOMIC RECOVERY WOULD NOT BE POSSIBLE PACHECO (AS HAS VIRTUALLY EVERYONE ELSE) EXPRESSED HIS BELIEF THAT 1974 WILL BE A YEAR OF HISTORIC TRANSITION, A YEAR IN WHICH ECONOMIC PROGRESS MUST COME. THE SECRETARY TO THE PRESIDENCY EMPHASIZED THAT THE STATE WILL BE A POSITIVE FORCE FOR DEVELOPMENT AND STATED THAT THE TRANQUILITY REACHED AT YEAR'S END WILL ENCOURAGE FOREIGN AND DOMESTIC INVESTORS.

4. PUBLIC GRUMBLING CONCERNING LIMITATIONS IMPOSED TO CURTAIL ENERGY CONSUMPTION IS FREQUENT BUT URUGUAYANS APPEAR TO BE ENJOYING SUMMER VACATIONS, JAMMING BEACHES AND, IN SPITE OF VERY HIGH PRICES, FREQUENTING RESTAURANTS. THE LATEST GALLUP POLL, ISSUED IN DECEMBER, SHOWED A MAJORITY OF THOSE POLLED TO BELIEVE THAT 1974 WOULD BE A BETTER YEAR FOR URUGUAY. DESPITE THE OPTIMISM DEMONSTRATED BY THOSE IN PRESIDENTIAL PALACE AND BY THE GALLUP POLL (WHICH REFLECTED NOVEMBER FINDINGS), 1974 ALREADY PRESENTS SOME FOREBODING ASPECTS. A GENERAL WAGE INCREASE OF 33 PERCENT DID NOT CATCH UP WITH PRICE HIKES AND REAL INCOME TOOK A FURTHER DROP. IN ADDITION, THE CONSUMING PUBLIC APPEARS TO BE CONVINCED THAT PREDICTIONS FOR 19 PERCENT INFLATION IN JANUARY WERE EXCEEDED EARLY IN THE MONTH AND LABOR LEADERS CLAIM THAT EMPLOYMENT IS DOWN, AND THE SHORT-TERM OUTLOOK IS BLEAK.

5. PUBLIC COMPLAINTS, PARTICULARLY OVER INFLATION AND SLOWNESS IN IMPLEMENTING NEW ECONOMIC PROGRAMS, ARE HAVING AN IMPACT ON THE MILITARY. HARD-LINERS IN THE ARMED FORCES APPEAR TO BE INCREASINGLY CONVINCED THAT THEY ARE BEING HELD RESPONSIBLE BY PUBLIC OPINION FOR GOVERNMENT ACTIONS (OR INACTION). CONCOMITANTLY, THEY BELIEVE THAT THEY SHOULD, THEREFORE, HAVE MORE OF A CONTROLLING VOICE IN THE DIRECTION OF THE GOVERNMENT. IF THEY ARE HELD RESPONSIBLE ANYWAY, CONFIDENTIAL

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THEY WANT TO SUCCEED OR FAIL ON THEIR OWN TERMS. FORTUNATELY FOR THE PRESIDENT'S TENURE, THE HARD-LINERS NOT ONLY HAVE BEEN CONTAINED TO DATE BY THEIR MORE MODERATE COLLEAGUES BUT THEY ARE DIVIDED THEMSELVES. ONE GROUP, WITH FIRST DIVISION COMMANDER CRISTI ACKNOWLEDGED AS ITS DRIVING FORCE, APPEARS TO FAVOR REMOVAL OF THE PRESIDENT IF SOLUTIONS TO NATIONAL PROBLEMS ARE NOT FORTHCOMING. OTHER HARD-LINERS, FOR A VARIETY OF REASONS, WANT THE PRESIDENT TO REMAIN IN OFFICE. SOME WANT TO RETAIN A SEMBLANCE OF DEMOCRACY,

SOME ARE CONVINCED THAT THE MILITARY IS NOT CAPABLE OF GOVERNING THE COUNTRY AND STILL OTHERS ARE GENERALLY CONCERNED THAT THEY AND THEIR COLLEAGUES SIMPLY DO NOT HAVE THE ANSWERS TO NATIONAL PROBLEMS.

6. INDICATORS IN THE INTERNAL STRUGGLE WITHIN THE ARMED FORCES ARE GENERAL OFFICER PROMOTIONS AND ASSIGNMENTS. THE ARMY'S COLONEL-TO-GENERAL PROMOTION LIST, ABOUT TO BE ANNOUNCED, IS EXPECTED TO INDICATE WHETHER MODERATE SECTOR OR THE NATIONALISTIC RIGHT AMONG ARMY OFFICERS IS IN THE ASCENDENCY. FOLLOWING SHORTLY THEREAFTER WILL BE FURTHER SENIOR STAFF CHANGES CULMINATING IN EARLY MARCH WHEN AIR FORCE CINC PEREZ CALDAS' TOUR OF DUTY ENDS. SHOULD THE HARD-LINERS IN THE MILITARY PROVE TO BE DOMINANT, THEIR OWN LACK OF UNANIMITY WITH RESPECT TO THE PRESIDENT COULD WELL BE THE MAJOR RESTRAINT ON THE CRISTI CROWD. HOWEVER, THE PRESIDENT PROBABLY WILL BE IN AN EVEN MORE VULNERABLE POSITION LATER IN THE YEAR IF ECONOMIC RECOVERY HASNOT BEGUN TO BE FELT BY THE MAN IN THE STREET.  
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